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United States Virgin Islands

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Contents

		Paragraphs	Page
I.	Background information	1–2	3
II.	Constitutional, legal and political aspects	3–11	3
	A. General	3–7	3
	B. Recent elections and political issues	8–11	4
III.	Budget	12–21	5
IV.	Economy	22–42	7
	A. General	22–28	7
	B. Economic sectors	29–42	8
	1. Agriculture and fisheries	29–31	8
	2. Manufacturing and industry	32–35	8
	3. Construction	36–38	9
	4. Tourism	39–42	9
	C. Finance	43–44	10
	D. Transportation and communications	45–48	11
	E. Utilities, water and sanitation	49–50	11
V.	Military issues	51–52	12
VI.	Social conditions	53–70	12

06-28038 (E) 050406

A. Labour ... 53–56
B. Education ... 57–62
C. Public health ... 63–67
D. Human rights and related issues ... 68
E. Crime and crime prevention ... 69–70
VII. Environment ... 71–73
A. Protection of natural resources ... 71–73
B. Disaster preparedness ... 73
VIII. Future status of the Territory ... 74–80
A. Position of the territorial Government ... 75–78
B. Position of the administering Power ... 79
C. Action by the General Assembly ... 80

I. Background information

1. The Territory of the United States Virgin Islands[1] is located in the eastern part of the Caribbean Sea, approximately 1,000 miles south-east of Miami and 45 miles east of Puerto Rico. The Territory is made up of three main islands (St. Croix, St. John and St. Thomas) and one small island (Water Island), transferred in 1996 by the United States Department of the Interior to the jurisdiction of the territorial Government. The capital, Charlotte Amalie, is located on St. Thomas. The Islands were Danish territory from 1754 to 1917, when they were purchased for US$ 25 million by the United States of America. The Office of Insular Affairs carries out the Secretary of the Interior's responsibilities for the Territory.

2. The population of the Territory in 2004 stood at 108,775, with 4,252 people living in St. John and the rest almost equally divided between St. Thomas and St. Croix. About 50 per cent of the population is younger than 35 years of age. The composition of the Territory's population is 78 per cent black, 10 per cent white and 12 per cent other.[2]

II. Constitutional, legal and political aspects

A. General

3. The United States Virgin Islands constitute an organized, unincorporated Territory of the United States. With the adoption by the administering Power of the Organic Act of the Virgin Islands (1936) and its revision in 1954, the Territory was granted a measure of self-government over local affairs. Executive power is vested in a Governor, who has been elected on the same ticket as the Lieutenant-Governor since 1970 by popular vote for a four-year term. The Governor is limited to two consecutive terms, but can be elected again after one full term out of office. The Governor appoints, with the advice and consent of the Legislature, the heads of the executive departments and has the power to approve or veto legislation and issue executive orders.

4. Since the Organic Act of the Virgin Islands was revised by the administering Power in 1954, there have been four attempts to replace it with a locally written constitution approved by the people of the Territory, which would organize the internal mechanisms of Government. Although the United States Congress authorized the adoption of a local constitution in 1976, none of the four attempts has been successful. Regarding the Territory's political status, the first and only referendum on a range of political options was conducted in 1993. However, only 27 per cent of the electorate voted and, of those, 80.3 per cent voted to retain the current status. The result was considered invalid since less than 50 per cent of the electorate had voted.

5. In October 2004, Governor Charles W. Turnbull signed into law the Fifth Constitutional Convention, which was to be the fifth attempt at elaborating a local constitution. The Convention was to be formed by 30 local delegates to be chosen in a special election in February 2006. The Convention was to forward a draft to the Governor, who then would submit it to the United States President. Upon approval by the United States Congress, a referendum to ratify the document could be held.[2] In his 2005 State of the Territory address, Governor Turnbull supported this

proposal, calling it perhaps the best mechanism to adopt their own constitution.[3] The Territory's Legislature, in December 2005, decided to postpone the Convention until July 2007, stating that more time was needed for proper preparation.[4]

6. At the Caribbean regional seminar on decolonization, held in May 2005, the President of the United Nations Association of the United States Virgin Islands, Judith Bourne, reiterated the need for authoritative information and education on international status issues of Non-Self Governing Territories, and on the self-determination options available to their people. She noted that while the Fifth Constitutional Convention legislation appeared to suggest an act of self-determination, federal law, however, clearly stated that "no constitution that the United States Virgin Islands adopts can affect its status as a 'territory or other property' of the United States as referred to in the territorial clause of the United States Constitution." United States Public Laws 94-584 of 21 October 1976, and 96-597 of 24 December 1980, specified that such a constitution should "recognize, and be consistent with, the sovereignty of the United States over the Virgin Islands ..., and the supremacy of the provisions of the Constitution, treaties, and laws of the United States applicable to the Virgin Islands ..., including, but not limited to, those provisions of the ... Revised Organic Act of the Virgin Islands ... which do not relate to local self-government".[5]

7. Concerning legal issues, see the 2005 working paper (A/AC.109/2005/9).

B. Recent elections and political issues

8. In the last elections for the position of Governor, held in 2002, incumbent Charles W. Turnbull of the Democratic Party, in office since January 1999, was re-elected for his second and last four-year term, with 50 per cent of the vote. Another incumbent, Donna M. Christensen of the Democratic Party, was re-elected in 2004 to her fifth two-year term as the United States Virgin Islands Delegate to the United States Congress, with 66 per cent of the vote. New elections are scheduled to take place in November 2006.

9. The last legislative elections held on 2 November 2004, resulted in the election of 15 senators, namely, 10 Democrats, 3 members of the Independent Citizens' Movement and 2 non-party affiliates. Although the results suggested a solid Democratic majority in the Legislature, three Democratic senators split with their party after the elections and, together with the Independent Citizens' Movement and the non-party affiliated senators, formed the Consensus Majority.[6]

10. In the State of the Territory address in January 2006, Governor Turnbull declared the State of the Territory one of ever increasing strength and growing confidence. Despite new and continuing challenges, the United States Virgin Islands had experienced, inter alia, solid economic growth, record Government revenues, reduced unemployment, increased investment in the public infrastructure, and a general improvement in the quality of life for the Territory's inhabitants.[7]

11. On 15 April 2005, the first meeting of the Inter Virgin Islands Council was held at Government House on St. Croix. It was co-chaired by Governor Turnbull and Chief Minister Orlando Smith of the British Virgin Islands. The Council discussed common issues facing the two Territories and reviewed the structure of 11 committees, dealing with issues ranging from mutual disaster preparedness, to inter-

territorial trade, and constitutional advancement. The Council also aspires to become a forum that manages and settles disputes in a peaceful, transparent and fair fashion.[8]

III. Budget

12. The precarious fiscal condition of the Territory at the end of the 1990s and the measures taken at the federal and local levels to avoid bankruptcy have been described in detail in the previous working paper (A/AC.109/2005/9, paras. 14-19). Since 2000, the Territory's budget has been agreed on in the framework of the Office of Insular Affairs 2000-2005 Strategic Plan, which, inter alia, called for all insular Governments to implement long-term plans to improve financial management by 2005. According to the Governor, his Administration has worked painstakingly to revitalize and strengthen the relationship with the federal Government by completing long overdue audits and bringing the local government into compliance with federal auditing standards.

13. The Government is presently working on the creation of an internal audit unit and a new financial management system, which is expected to be implemented within three to five years.[9] In June 2005, the fiscal year 2003 single audit of federal funds awarded to the Territory was completed, bringing it into compliance with federal reporting laws, and preventing it from losing federal funds under the Congressional Single Audit Act. The fiscal year 2004 audit was scheduled to be completed in February 2006.[10]

14. Despite signs of a financial recovery, the Government was expecting to face a fiscal deficit in 2005, which the Bureau of Economic Research projected at $92.4 million. To address the deficit, the Government embarked on cost-cutting measures, specifically measures to reduce the allotments to departments and agencies. Healthier revenues than expected, however, allowed increased budget allocations in the third and fourth quarter of fiscal year 2005. In addition, the Government, as at 30 June 2005, had issued about $550 million in general obligation bonds.[11] Additionally, to honour the Territory's efforts towards exercising fiscal constraints and discipline during the review period, the federal Government forgave a debt in the amount of $250 million.[7]

15. In May 2005, Governor Turnbull proposed a fiscal year 2006 budget of some $612 million, which represented an 8 per cent increase over the 2005 budget. Steady economic growth has been predicted for 2006, indicating that the economy is recovering despite external pressures such as soaring oil prices and the challenges related to the Economic Development Commission tax incentive programme and the American Jobs Creation Act.[12]

16. The proposed budget included an increase in funding for the Economic Development Authority to address the challenges from changes in the federal tax laws, thus ensuring the integrity of the Economic Development Commission tax incentive programme and continuing the Authority's lending programmes. The Office of Management and Budget predicted that Government revenue would be equal to funds needed to cover Government costs in 2006.[13]

17. On 12 October 2005, the Governor signed into law most of the budget bills which the Senate had approved a month earlier ($596 million). Five days later, he

also signed the Omnibus Appropriation Act of 2005 ($76 million) as well as the Legislature's budget for 2006 ($17.9 million).[14] The biggest shares of the approved budget for 2006 have been earmarked for the Virgin Islands Education Department, the Department of Public Works, and the Departments of Health and Human Services. Another $5.2 million in a "Christmas tree" bill of amendments passed by the Territory's Senate, was approved by the Governor in December 2005.[4]

18. In his 2006 State of the Territory address, Governor Turnbull also revealed that the overall General Fund revenues had increased almost 10 per cent in 2005 to a record $633 million. According to the Governor, the improved, across-the-board financial performance reflected a robust and reinvigorated economy. Individual income taxes increased by $25 million to a record $366 million; whereas corporate taxes nearly tripled to $117 million. Gross receipts taxes increased 10 per cent to another record $126 million. Even after the Legislature approved supplemental appropriations to meet critical needs at the end of 2005, the Government ended 2005 with a surplus.[7]

19. In November 2003, the Territory's Delegate to Congress, Donna M. Christensen, introduced controversial legislation that called for the creation of a Chief Financial Officer position. That person would be chosen by the Governor from a list of three previously nominated candidates, subject to confirmation by the Legislature, for a five-year period that would not be concurrent with the term of the Governor. According to a release from the Delegate, the Chief Financial Officer would assume the functions of the Territory's Office of Management and Budget, oversee and approve all spending, and be authorized by law to disapprove Government spending which would deepen or send the Government into financial deficit. The House of Representatives approved the bill in September 2004, but it expired as per congressional rule owing to inaction in the Senate. Brought forward again in January 2005 by Ms. Christensen, the bill was approved by the House of Representatives in June 2005. The Senate started consideration of the bill on 1 March 2006. [15]

20. In April 2005, in a letter addressed to the United States Department of the Interior, residents of St. Croix calling for that island's separation from the Territory demanded that the Department investigate the Territory's finances. Some Virgin Islands legislators agreed that a federal audit and a clearer picture of the Territory's finances would be helpful to assess the Islands' needs. They complained about a lack of financial documentation and that the gathering of financial data had been cumbersome and elusive, adding that records detailing Government debt, revenue and expenditure had been hard to come by.[16]

21. The current United States Administration believes that it is important that the Territory's self-government be preserved and that all challenges, including fiscal problems, be fully considered within the territorial Government.[17] According to media reports, the opposition of the current United States Administration to the bill represented a major political victory for Governor Turnbull, who had strongly rejected the initiative from the beginning, as did a number of members from the Islands Legislature. The Governor criticized the proposal, and characterized a Chief Financial Officer as someone who would be unelected and unaccountable, stating that it would represent a backward step on the journey to more self-government for the Virgin Islands.[3]

IV. Economy

A. General

22. In 2003, according to the Bureau of Economic Research, the gross domestic product (GDP) per capita in the Virgin Islands was estimated at $18,900; GDP was estimated to have grown by 3 per cent in 2004 and by 3.2 per cent in 2005. The growth in 2004 was derived from increased investments and consumer spending, as well as from an improvement in the United States economy, low interest rates, and federal tax cuts that fuelled an upturn in tourism and financial services activity contributing to an increase in the Territory's revenues. The growth in 2005 has been mainly attributed to increased tourism, continued strength in the financial services industry, important gains in the petroleum sector, as well as increases in rum sales and in construction.

23. In 2006, it is anticipated that the economy will continue to grow, although at a slower pace, owing to a decrease in consumer spending tied to higher interest rates and pending new Economic Development Commission rulings. Nevertheless, strong tourism and private sector development projects are expected to continue to support continued growth. A further increase in both air and ship passengers is anticipated to lead to significant revenues. A record number of 2.7 million tourists in 2005 is expected to be topped in 2006, increasing gross receipts and hotel room taxes. The rum industry has posted double-digit growth in the past four years. An increase of $25 million in excise taxes is predicted for 2006.[18]

24. The manufacturing sector has struggled owing to high production costs and increased competition, which has raised concern about "outsourcing" and employee retention. With regard to employment, the number of jobs in the oil sector has grown. The construction sector is expected to grow further in 2006, owing to major hotel and casino construction, an upgrade and extension of roads, housing and seaports, and the development of commercial and residential properties. As private sector growth has continued to climb, employment opportunities have increased. Jobs within the public sector have decreased, however, owing to administrative efforts to reduce local government positions through attrition, retirement and the elimination of vacant positions.[19]

25. According to Governor Turnbull, one of the key elements in the Territory's fiscal recovery plan was to strengthen the Economic Development Commission tax incentive programme. Commission beneficiaries generated about one third, or $127 million, of all income tax revenues and nearly 8.5 per cent, or 3,000, of jobs in the Islands prior to 2005. However, new federal tax laws introducing stricter requirements to the programme, could have a strong negative impact on the revenue of the Territory. The firm of PricewaterhouseCoopers, in a study commissioned by the Government, assessed that tax losses would be between $83 million and $100 million and that 2,000 to 2,300 jobs could be lost by 2007.[20] Despite these predictions, however, the Territory's Internal Revenue Bureau noted that positive economic factors have "buffered the beginning of the bite" of the federal tax law changes.

26. During 2005, local legislators worked to tighten some regulations in the Territory's economic development programme in order to provide an incentive for the United States Congress and the Treasury Department to ease the tax law

restrictions for the Territory. On 21 July 2005, Governor Turnbull and a large delegation from the Islands testified in Washington, D.C., before the Internal Revenue Service and the Treasury Department to gain exceptions and modifications to the residency and source-of-income rules affecting the Economic Development Commission tax incentive programme.

27. According to Governor Turnbull, the Government's so-called Congressional Outreach Programme in favour of the Economic Development Commission programme has been a success. It has led to increased congressional understanding of the political, social and economic problems of the Territory, the value of the Economic Development Commission programme, and congressional support for needed changes in the law. The Government intends to expand its Outreach Programme because recent regulations did not go far enough in protecting the Economic Development Commission programme.[7]

28. Regarding trade, the United States Virgin Islands is exempt from the Jones Act, which requires that freight moving between United States ports be carried by United States-flagged ships. The Territory benefits from other favourable trade concessions as part of its relationship with the administering Power.

B. Economic sectors

1. Agriculture and fisheries

29. A number of public events were held in February 2006, including the 35th Annual Agricultural Fair, aimed at highlighting the achievements of the Territory's farming communities and promoting the agricultural sector.[21] On 27 February 2006, a four-day agriculture summit commenced at the Legislature to discuss the viability of the Territory's farming industry and to design a plan of action for upgrading the policy guidelines for the development of the Territory's agriculture.[22] A lengthy bill on sustainable farming is also under review in the Legislature.[23]

30. Early in 2005, the Fish and Wildlife Division of the Department of Planning and Natural Resources held public hearings on a draft conservation management plan for the fisheries and marine resources of the Territory. The plan includes information on the distribution and abundance of key species, a description of locations and conditions of key habitats, a description of the key problems of pollution, overfishing, habitat degradation, and proposals for necessary and priority conservation measures to implement the plan.[24]

31. At the beginning of May 2005, the Caribbean Fishery Management Council adopted new fishing regulations with inputs from the Territory's fishermen, including fishing bans of some species and area fishing restrictions.[25] In October 2005, a federal grant of nearly $350,000 was approved for the St. Thomas Fishermen's Association for the development of data on the Territory's marine life and the effects of pollution and soil runoff.[26] In December 2005, the Council met again to discuss strategies and new regulations in the next two years aimed at preventing overfishing in both territorial and federal waters.[27]

2. Manufacturing and industry

32. Manufacturing incentives are provided by a trade regime that confers unique advantages on the United States Virgin Islands. Items assembled in the Territory can

be exported duty free into the United States, even if up to 70 per cent of the value consists of foreign dutiable components. Other incentives include 90 per cent exemption from local corporate income taxes for 10 to 15 years for new manufacturers.

33. The industrial sector remains dominated by Hovensa LLC, the third largest refinery in the Western Hemisphere and the eighth largest in the world. Situated in St. Croix, it produces 500,000 barrels of refined petroleum products daily. Jointly owned by the Amerada Hess Corporation and Petróleos de Venezuela, Hovensa completed a $535 million coker unit in 2002 and plans to complete construction of a $200 million desulphurization unit in December 2006 to meet federal Clean Air Act standards. In 2005, the refinery was also investing in the construction of a wastewater treatment unit, a gas turbine generator, a quality control laboratory, and additional gasoline production facilities. In 2005, the Government supported Hovensa construction projects with private activity bonds in the amount of $27.5 million and $101 million, respectively.[24]

34. As mentioned in paragraph 24 above, the rum industry has continued to generate record tax revenues for the Government, topping $85 million in 2005. The gain is a direct result of a tax rebate formula enacted by Congress in 1999, which expired on 31 December 2005. While continuing to seek a permanent extension, the Government hopes that the rum tax formula will soon be extended retroactively. The Government and partners in the rum industry are also working to extend tariff protection as long as possible, increase the brand identification of Virgin Islands rum and accelerate a shift to the production and sale of non-tariff-sensitive premium rums.[7]

35. Within the framework of the 2006 budget, funds have been earmarked for the Economic Development Authority to promote the Economic Development Commission programme to different types of industries lacking in the Territory. Manufacturing companies are specifically targeted, which could help diversify the economy, make them more competitive and provide more high-paying jobs.

3. Construction

36. Reversing the losses the construction sector has experienced since 2002, the sector improved in 2005 with the completion of the Hovensa coker unit, among other projects.

37. In 2005, the Government commenced or continued infrastructure construction valued at more than $200 million. The 2006 budget also foresees a number of construction, rehabilitation and repair projects of schools, roads, as well as health and sports facilities.[28]

38. In 2005, the Territory's Legislature considered a number of re-zoning requests to enable the construction of business complexes and residential housing. Support was given to projects to build affordable homes, particularly for low-income and moderate-income families. Construction of the latter started in June 2005 and will continue throughout 2006.

4. Tourism

39. The tourism sector, the most important industry of the Islands, experienced a buoyant comeback in 2004, generating nearly 30 per cent of all jobs in the

Territory.[7] Hotel occupancy growth increased from 5 to 7 per cent in 2004. The trend continued in 2005, indicating an 80 per cent occupancy rate for the last quarter of 2005, and a projected 85 per cent rate for the first quarter of 2006. Passenger spending at the end of fiscal year 2005 stood at an average of $281 per person per day, with $305 spent per person per day in the St. Thomas-St. John district. As a result, gross receipt taxes increased from $100 million for fiscal year 2003 to $114 million for fiscal year 2004, and jumped again to $125 million for fiscal year 2005, an indication that the Territory has fully recovered from the decline in tourism following 11 September 2001.[29]

40. In 2004, most visitors came to the St. Thomas-St. John district, which saw nearly 2.5 million visitors, an increase of 10 per cent over 2003. While St. Croix's overall numbers remained a fraction of that number, the island experienced a 15 per cent increase in 2004, with more than 158,000 visitor arrivals.[30] In 2005, the number of visitors increased by a further 10 per cent.[7]

41. Danish charter flights, which had been arriving in St. Croix, since April 2004, were halted in June 2005 owing to low passenger numbers and rising fuel costs. Efforts are underway to revive the programme and make it attractive also for visitors from Norway, Sweden and Germany.[31]

42. In March 2005, the United States-based Delta Airlines resumed service between Atlanta and St. Croix after a five-year break. Another United States-based airline, Spirit Airlines, started service between Florida and St. Thomas in December 2005. According to the Governor, the additional airlift capacity has already significantly increased the Territory's share of business meetings and conventions.[7] The 28th annual Caribbean Tourism Conference took place in St. Thomas in October 2005. *Caribbean Travel & Life* magazine rated the Territory number one in 8 out of 30 categories, including "Best All-Around Destination" for St. John. The Territory's Tourism Department continues to run a fully integrated advertising campaign to promote tourism on St. Croix.

C. Finance

43. Financial services companies, many of which are Economic Development Commission beneficiaries, have been important to the Territory's economy. The sector continued to be one of the most vibrant sectors in 2005. Jobs in the first quarter of 2005 averaged 2,533, an increase of 5.7 per cent over the corresponding period in 2004. Nevertheless, the sector is expected to be the one most affected by the federal tax changes mentioned in paragraph 26 above. Some companies have contemplated pulling out of the Territory altogether. The strength of the sector in 2006 depends on federal monetary policy and the outcome of negotiations regarding the American Jobs Creation Act. A major conference for investors sponsored by the Department of the Interior, is expected to take place in March 2006 to showcase the economic potential of the United States Virgin Islands.[32]

44. In January 2006, Governor Turnbull announced the formation of a task force, with a mandate for two years, to study the feasibility of establishing a stock exchange in the Virgin Islands.

D. Transportation and communications

45. The Territory has five major docking facilities, which can accommodate cruise ships and some naval vessels. Three of the docks are on St. Croix, namely South Shore, Gallows Bay and Frederiksted. The remaining two are on St. Thomas, namely, the facilities operated in Crown Bay by the Virgin Islands Port Authority, a semi-autonomous Government agency, and the Islands-owned West Indian Company. For the St. Thomas-St. Johns district alone, 564 cruise ship calls have been scheduled for the period between October 2005 and April 2006.[33] The Government completed public sector capital projects related to the Island's transportation facilities valued at more than $200 million in 2005, including the $30 million Crown Bay port and retail complex on St. Thomas.[3]

46. The Port Authority operates two international airports, Cyril E. King Airport on St. Thomas and Henry E. Rohlsen Airport on St. Croix. With regards to public transportation in the Territory, the United States appropriated $2.4 million to enhance the system to upgrade the Islands' VITRAN bus service.[34] On 9 May 2005, 10 new buses went into service. Funds were also provided for upgrading and building new bus maintenance facilities, providing training to VITRAN employees and improving other VITRAN services across the Territory.[35]

47. On 29 July 2005, Congress passed a highway and transportation bill that earmarked some $115 million for the Territory's roads, including appropriations for two "special" highway projects on St. Thomas and St. Croix. The bill also amended the Territory's designation for federal mass transit funding. The Territory gained the status of an urbanized area, thus enabling increases in funding mass transit in the years to come. According to Governor Turnbull, the Government would be able to use the funding for the improvement of local roads that lead to a federal highway, as well as for the improvement of ferry boats and ferry terminals.[36]

48. A new undersea fiber cable between St. Thomas and St. Croix has been laid, which provides the Government, private businesses and residential customers with an improved computer network, both between the Territory's islands and between the Territory and the mainland.[27] The France-based Global Caribbean Network and the Barbados-based Antilles Crossing Ltd. aim to improve Internet, telecommunications and data transmission services in 2006 by establishing a connection to St. Croix, considered home to one of the largest communications hubs in the world.[37] Meanwhile, the Virgin Islands Telephone Company is making increased efforts to better respond to an increased demand for services.[38]

E. Utilities, water and sanitation

49. Electricity is thermally generated using imported fuels. The Virgin Islands Water and Power Authority serves approximately 47,000 customers. Over the last year, the rising cost of oil, tight global supplies, geopolitical uncertainties and the falling value of the dollar prompted hikes in the price of gasoline, electricity and water. Virgin Islanders experienced eight increases in electricity and water rates between August 2004 and July 2005.[39] To keep utility rates down and alleviate financial losses, the Authority has started to look into enhancing efficiency and finding alternative, renewable sources of power.[40] Efforts have also been undertaken to find an alternative power provider.[41]

50. Owing to limited freshwater supplies, salt water is used extensively for non-domestic purposes, including firefighting and sewerage. The Water and Power Authority desalinates water and collects rainwater for domestic use. A desalination plant on St. Thomas produces 4.45 million gallons per day. Wells, particularly on St. Croix, supply the remainder of the freshwater necessary. Owing to the high cost of water, average daily consumption is about 50 gallons per person per day, about one third the United States average.

V. Military issues

51. As in the mainland United States, homeland security has become a major concern in the Territory; Governor Turnbull has approved more than $200,000 for homeland security operations in the framework of the 2006 budget.[13] The Government has asked for the return of the Coast Guard to help to stem a flood of illegal immigrants, and advocates for a permanent presence of the United States Customs and Border Patrol on the Islands.[3]

52. As at the end of November 2005, the Virgin Islands National Guard had deployed over 300 guardsmen and women to Iraq, Afghanistan, and Guantanamo Bay, Cuba. Soldiers have also been deployed in humanitarian missions to Haiti and in relief efforts to Louisiana following Hurricanes Katrina and Rita.[7]

VI. Social conditions

A. Labour

53. Employers in the Territory must follow federal and territorial labour laws, such as those regulating minimum wages, occupational health and safety standards and payment of Social Security tax and unemployment insurance. In recent years, the Government has focused on reducing employment in all three branches of Government, while promoting private enterprise and investments to create new jobs. The unemployment rate, which stood at 8.8 per cent in 2004, fell to 7.4 per cent in 2005.[19]

54. Although the cost of living in the Territory increased over the last eight years, salaries have not kept pace with rising inflation and have fallen far behind negotiated labour contracts and national standards.[42] In 2006, the Territory will receive more than $800,000 from the Department of Labor to strengthen its unemployment compensation system. The funds are intended to support the Government in the prevention, detection and recovery of improper benefit payments and the promotion of quick re-employment.[43]

55. Improved financial conditions have permitted the Government to increase the pay scale for Government employees in 2006. Revenues in the amount of $116 million have been committed towards upgrading the salaries of classified and unclassified central Government employees, employees of the University of the Virgin Islands and retirees, through the current year. About 85 per cent of these salary increases will affect classified unionized employees.[7] The minimum hourly wage in the Territory was raised by 50 cents in January 2006 and will reach $6.15 in January 2007, when an additional 50-cent increase will go into effect.[44] In addition,

Governor Turnbull rescinded a year-long reduction in salaries of executive branch employees and approved legislation that will increase the minimum annual salary of Government employees from $15,000 to $20,000, as from 1 January 2007.[45]

56. In November 2005, Governor Turnbull signed into law the Government Employees Retirement System Reform Act, which introduced a set of reforms aimed at correcting problems of the system, providing it with more autonomy and reducing its unfunded liability, which has been estimated to exceed $1 billion.[46]

B. Education

57. Education is compulsory and free for all children between 5 and a half and 16 years of age. The territorial Department of Education administers 32 schools on St. Thomas, 14 on St. Croix and 2 on St. John. The 2000 census data, issued in February 2002, reflected school enrolment of children three years and older to total 32,119. Of those, 52.5 per cent attended elementary school, 23.2 per cent attended high school and 9 per cent attended college or graduate school. The census also reported that 60.6 per cent of the population aged 25 and over are high school graduates, while 16 per cent have bachelor's degrees or graduate degrees.

58. In December 2005, the Community Foundation of the United States Virgin Islands published a report, which revealed that nearly half of the Territory's youth aged 18 to 19 did not have a high school diploma and that 10 per cent of teenagers aged 16 to 19 were neither attending school nor working, a number that is slightly higher than the national rate of 9 per cent.[47]

59. According to Governor Turnbull, the Government has made considerable progress in education in 2005. All four public high schools were again accredited by the Middle States Association of Colleges and Schools after losing the accreditation in 2002. The Territory's schools also improved their national test scores over those of 2004. In 2005, a Territory-wide school assessment programme was implemented, and the Department of Education has revised its mathematics and reading curriculum, enforced stricter teacher standards and developed individual school improvement plans for each school in the Territory.[7]

60. The Governor, in his 2006 State of the Territory address, also laid out a plan to initiate a comprehensive school renovation and construction programme. For 2006, the Government has committed some $17 million to the repair of the Territory's ageing schools and educational facilities.[7]

61. On 23 September 2005, the Territory's three-year Compliance Agreement with the United States Department of Education to address management problems in the Territory's education funds and programmes expired. While the federal Government recognized that the Virgin Islands Department of Education had made significant progress in achieving the goals set out in the Agreement, it was found to have failed to achieve the most important goal, the implementation of a new, more transparent financial management system, as well as the appointment of a new federal grant manager who was supposed to handle all federal education grants until the new financial management system had been implemented.[48] Since 1 July 2005, all pending and new education grants had been withheld from the Territory to enforce compliance.[49] The announcement of a new federal grants manager, however, is

expected shortly after a 28 February 2006 deadline for applications to the post. The announcement would release over $30 million in withheld federal education grants.[7]

62. The University of the Virgin Islands has campuses on St. Thomas and St. Croix and approximately 2,500 full- and part-time students. It offers bachelor's degree programmes in 33 fields and master's degree courses in education, business administration and public administration. The University improved its academic performance and was awarded 32 research grants in 2005 amounting to over $14 million. The University received $1.7 million in federal aid for programme development to bolster the education of black Americans, and got the second instalment of $1.7 million for a federally funded initiative to stimulate competitive research in the Territory.[50]

C. Public health

63. In order to fill gaps in the Territory's health system, the Primary Health Care Office gathered information for a report outlining the Virgin Islands health-care shortages, needs and challenges. The report, compiled by the State University of New York, revealed a shortage of trained health-care workers, lack of education programmes, a limited health-care infrastructure and funding constraints. The Territory's per capita health workforce was smaller and was paid less compared to that of the United States as a whole. Some 24 per cent of the Territory's population or 26,000 Islanders did not have health insurance, and both the annual limit on federal contributions to the Territory's Medicaid programme and the high percentage of uninsured residents had a negative financial impact on health-care providers, particularly hospitals.[51] Members of the Legislature, together with a research and planning team, have been working on a proposal to lower the percentage of uninsured residents from 24 to 13 per cent by the end of 2006.[52]

64. Governor Turnbull, in his 2006 State of the Territory address, announced that the Government would soon offer a comprehensive plan for health-care reform aimed at ensuring affordable health insurance, while providing increased choices of care and reducing the uncompensated cost of care for hospitals and other health-care organizations. The Governor stressed that a number of other programmes needed to be overhauled, including the Medicaid Programme.[7] Since January 2006, the nearly 12,000 Medicare recipients in the Territory were eligible for prescription drug coverage. Registration for the drug plan started in November 2005 and would run through 15 May 2006.[53]

65. For the third consecutive year, the Territory continued to have the highest number of confirmed HIV cases per 100,000 United States citizens. There are presently 862 people in the Territory who have been diagnosed with HIV/AIDS.[54] Local public health officials are working to combat the stigma and prejudice linked to HIV/AIDS and raise the level of education and awareness among those who go untested and untreated. The Department of Health has revamped and reorganized its programme addressing HIV/AIDS. With $2.3 million in federal grants, the Department is focusing on early intervention and community outreach programmes.[7]

66. The Department of Human Services continued to provide services for the neediest residents of the Territory. According to the Governor, the Department's success was reflected in the decline in the number of welfare recipients by 70 per cent over the last five years, from 2,900 individuals in 2000 to 496 in 2005.[7] The

Department has also been designated as the lead agency to coordinate efforts in the Territory to prevent and end chronic homelessness, which has been associated with poverty, mental illness and substance abuse. Efforts were under way to finalize an action plan for inclusion in the budget for fiscal year 2007.[55]

67. The report of the Community Foundation mentioned above (see para. 59) showed that almost one third of the Territory's children live in poverty, a slight increase over last year and almost double the national average of 18 per cent. St. Croix had the highest proportion of children living in families headed by single mothers, with 41 per cent, followed by St. John, with 32 per cent and St. Thomas, with 28.1 per cent. Some 10.7 per cent of infants born were low birth weight babies, defined as weighing less than 5.5. pounds. Birth weight was directly related to survival, development and continuing overall health.[47]

D. Human rights and related issues

68. See the 2003 working paper (A/AC.109/2003/1, para. 43).

E. Crime and crime prevention

69. In his 2006 State of the Territory address, the Governor called safety and security one of the Government's most important responsibilities. According to the Governor, the Police Department had made progress in its operation and in its war on crime. The completion and implementation of the Department's five-year Strategic Plan to fight violent crime had increased hope for further improvement. The Plan promoted the building of community and police networks to solve problems in the Territory. Neighbourhood Watch groups, Citizen's Integration Teams, and the "Cops in Schools" programme were reflecting the Department's efforts to bring entire communities together to address and confront crime issues. To fight drug and gang-related crime, the Department intended to develop a special intelligence unit in order to identify and disrupt gangs before they further threatened the survival of the communities. Governor Turnbull pledged to put more police officers and police cars on the streets and in the neighbourhoods.[7]

70. Nevertheless, high crime rates remain a matter of concern in the United States Virgin Islands. While law enforcement agencies reported a drop in the overall number of violent crimes reported nationally in the first six months of 2005, the Territory has seen an increase in every category. The number of violent crimes during the period increased compared to that of the first six months of 2004, with 48 aggravated assaults or shootings; of 21 homicides, most were linked to drugs and gang violence. Forty-nine rapes were reported during the first half of 2005, compared to 31 in the same period for 2004. Eighty-three robberies were reported from January to June 2005. As a consequence, juvenile arrests for violent crimes have continued to climb. The rate, figured per 100,000 youths aged 10 to 17, was 458.1, compared to a national rate of 276.[56]

VII. Environment

A. Protection of natural resources

71. According to the Environmental Protection Agency's Region 2 State of the Environment Report (1998), the ecosystems of the Caribbean islands face threats not only from natural disasters, such as hurricanes, but also from human impacts, such as improperly treated sewage, extensive land conversion and deforestation, over-fishing and tourism-related activities. Conversely, protecting the ecosystems is important if economy-generating tourism is to be maintained. Governor Turnbull, in his 2006 State of the Territory address, emphasized that the preservation of the Territory's fragile environment was imperative. Construction of four modern wastewater treatment facilities had been completed, and plans were under way to improve solid waste collection systems, consolidate recycling and transfer stations and expand collection routes in order to reduce or eliminate current environmental, health and safety hazards.[57]

72. Nevertheless, a study by the National Oceanic and Atmospheric Administration concluded in August 2005 that the Territory's coral reefs were affected by at least 10 categories of stress, including climate change, disease, tropical storms, coastal development and runoff, coastal pollution, and tourism and recreation. The study's findings are expected to help local managers to devise sound plans to protect and restore the reefs.[57]

B. Disaster preparedness

73. The United States Virgin Islands faces recurrent hurricanes and flooding, in addition to being located within an earthquake-risk zone. The Federal Emergency Management Agency, in general, provides programmes of mitigation, preparedness, response and recovery in the Territory through the Virgin Islands Territorial Emergency Management Agency. In the aftermath of Hurricane Katrina, representatives of the Agency met with Government officials and representatives of the private sector to assess the level of local preparedness to respond to a major disaster.[58]

VIII. Future status of the Territory

74. For details, see paragraphs 5 to 7 above.

A. Position of the territorial Government

75. At the 9th meeting of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples, on 16 June 2005, Carlyle Corbin, on behalf of the Government of the United States Virgin Islands, made a statement (see A/AC.109/2005/SR.9).

76. Mr. Corbin said that the United States Virgin Islands had made annual statements to the Special Committee since 1979, and shortly thereafter also to the

Fourth Committee. Although 26 years had elapsed, the constitutional and political status of the Territory remained unchanged. Member States were to be commended for their recommendations regarding political education and information on options available to residents of the remaining 16 Non-Self-Governing Territories, as well as their right to own their natural resources. If all the resolutions adopted and recommendations made had been implemented, the Territories would be much further along in their path towards self-government. The lack of progress could not be blamed entirely on the administrating Powers; the people of the Territories had not received adequate information on decolonization and self-determination. While emphasizing that more analysis of the issues was needed, he welcomed the Chairman's more focused approach on implementation.

77. During the Caribbean regional seminar on decolonization, held in Saint Vincent and the Grenadines from 17 to 19 May 2005, a representative of the United Nations Association of the Virgin Islands stated that the Special Committee's recent experiences of direct contact on the ground in non-self-governing territories had illustrated the need for, and usefulness of, accurate and authoritative information on self-determination being provided to the Governments and people of the Non-Self-Governing Territories by the United Nations. Recent events in the United States Virgin Islands revealed a profound lack of information and understanding of the issues of decolonization, self-determination and political status within the political directorate and the population, and a disinclination to accept correct information from local persons. There was an urgent need for the Committee to facilitate the provision of information and education on political status issues to the Territories.[5]

78. Mr. Corbin also made a statement on behalf of the Government of the United States Virgin Islands at the 5th meeting of the Special Political and Decolonization Committee (Fourth Committee), on 10 October 2005 (see A/C.4/60/SR.5).

B. Position of the administering Power

79. The last time the administering Power made a statement on this matter was at the 72nd plenary meeting of the General Assembly, on 9 December 2003 (see A/58/PV.72 and A/AC.109/2005/9, paras. 66 and 67).

C. Action by the General Assembly

80. On 8 December 2005, the General Assembly adopted without a vote resolutions 60/117 A and B. Section IV of resolution 60/117 B is devoted specifically to the United States Virgin Islands (see A/60/PV.62).

Notes

[1] The information contained in the present working paper was derived from published sources.

[2] Office of Insular Affairs (www.pacificweb.org); United States Central Intelligence Agency, *The World Factbook*, 2004.

[3] State of the Territory address, delivered by Governor Charles W. Turnbull on 31 January 2005 and reproduced in full by *St. Thomas Source* on 1 February 2005 (www.onepaper.com/stthomasvi).

[4] *The Virgin Islands Daily News*, 23 December 2005.

[5] For a summary of the statement, see *Official Records of the General Assembly, Sixtieth Session, Supplement No. 23* (A/60/23), chap. II, annex, para. 37.

[6] *The Virgin Islands Daily News*, 24 November 2004.

[7] State of the Territory address, 30 January 2006 (www.onepaper.com/stthomasvi).

[8] *The Virgin Islands Daily News*, 16 April 2005.

[9] *St. Thomas Source*, 26 July 2005.

[10] *The Virgin Islands Daily News*, 24 June 2005.

[11] *St. Thomas Source*, 15 November 2005, and *The Virgin Islands Daily News*, 26 July 2005.

[12] *The Virgin Islands Daily News*, 15 July 2005. In October 2004, President Bush signed into law the American Job Creation Act, requiring, inter alia, strict residence and source-income rules. The law, however, could jeopardize the Virgin Islands Economic Development Commission tax incentive programme, which provides tax breaks of up to 100 per cent of personal income tax. The new law requires the owners of Economic Development Commission companies to spend at least 183 days per year in the Territory and stipulates that income must be directly linked to the Territory.

[13] *St. Thomas Source*, 15 July 2005.

[14] *The Virgin Islands Daily News*, 18 October 2005.

[15] *St. Thomas Source*, 27 February 2006.

[16] Ibid., 21 April 2005.

[17] *The Virgin Islands Daily News*, 7 January 2005.

[18] An "excise tax" is a tax on the sale or use of specific products or transactions. *St. Thomas Source* and *The Virgin Islands Daily News*, 15 July 2005, State of the Territory address, 30 January 2006.

[19] *St. Thomas Source* and *The Virgin Islands Daily News*, 15 July 2005.

[20] *PricewaterhouseCoopers*, "Economic impact of H.R.4520 on United States Virgin Islands", 12 January 2005 (see www.pwc.com).

[21] *St. Croix Source*, 20 February 2006.

[22] *St. Thomas Source*, 28 February 2006.

[23] *The Virgin Islands Daily News*, 23 February 2006.

[24] Ibid., 6 April 2005.

[25] Ibid., 4 May 2005.

[26] *St. Thomas Source*, 25 October 2005.

[27] *The Virgin Islands Daily News*, 15 December 2005.

[28] *St. Thomas Source*, 15 July 2005; *The Virgin Islands Daily News*, 27 April and 26 October 2005, State of the Territory address, 30 January 2006.

[29] *St. Thomas Source*, 8 November 2005.

[30] *The Virgin Islands Daily News*, 11 April 2005.

[31] Ibid., 17 June 2005.

[32] *St. Thomas Source* and *The Virgin Islands Daily News*, 15 July 2005; State of the Territory address, 30 January 2006.

[33] *The Virgin Islands Daily News*, 2 August 2005.

[34] *St. Thomas Source*, 27 September 2004.

[35] *The Virgin Islands Daily News*, 2 May 2005.

[36] Ibid., 1 August 2005.

[37] Ibid., 19 December 2005.

[38] *St. Thomas Source*, 13 June 2005.

[39] *The Virgin Islands Daily News*, 11 July 2005.

[40] *St. Thomas Source*, 14 and 22 June 2005.

[41] Ibid., 30 November 2005.

[42] *The Virgin Islands Daily News*, 23 April 2005.

[43] *St. Thomas Source*, 3 October 2005.

[44] Ibid., 14 November 2005.

[45] *The Virgin Islands Daily News*, 7 and 23 December 2005.

[46] Ibid., 27 September 2005, *St. Thomas Source*, 3 November 2005; State of the Territory address, 30 January 2006.

[47] *The Virgin Islands Daily News*, 7 December 2005.

[48] Ibid., 23 June 2005.

[49] Ibid., 15 September 2005.

[50] *The Virgin Islands Daily News*, 19 and 20 July 2005.

[51] Ibid., 29 May 2005 and 1 August 2005.

[52] *St. Thomas Source*, 21 October 2005.

[53] *The Virgin Islands Daily News*, 27 April 2005.

[54] *Caribbean Net News*, 8 December 2005.

[55] *The Virgin Islands Daily News*, 19 May 2005; State of the Territory address, 30 January 2005.

[56] Ibid., 7 and 28 December 2005.

[57] *The Virgin Islands Daily News*, 22 August 2005.

[58] Ibid., 9 September 2005.

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British Virgin Islands

Working paper prepared by the Secretariat

Contents

		Paragraphs	Page
I.	Background information	1–2	3
II.	Constitutional, political and legal issues	3–15	3
III.	Budget	16	5
IV.	Economy	17–37	6
	A. General	17–20	6
	B. Agriculture and fisheries	21–24	7
	C. Construction	25–27	7
	D. Tourism	28–30	8
	E. Finance	31–33	8
	F. Transport and communications	34–37	9
V.	Social conditions	38–53	9
	A. General	38–39	9
	B. Labour	40–41	10
	C. Education	42–43	10
	D. Public health	44–47	11
	E. Public works	48–49	11
	F. Crime	50–53	12

06-28252 (E) 100406

VI.	Environment	54–55	13
VII.	Relations with international organizations and entities	56–57	13
	A. United Nations system	56	13
	B. Regional organizations and entities	57	13
VIII.	Future status of the Territory	58–63	13
	A. Position of the territorial Government	58	13
	B. Position of the administering Power	59–62	14
	C. Consideration by the General Assembly	63	15

I. Background information

1. The British Virgin Islands[1] are located about 60 miles east of Puerto Rico and 15 miles from the United States Virgin Islands. The Territory comprises a group of 50 islands that form an archipelago with the United States Virgin Islands. Twenty of the islands are inhabited. The capital city, Road Town, is located on the largest island, Tortola. The other major islands are Virgin Gorda, Anegada and Jost Van Dyke. As of July 2005, the population of the Territory was estimated at 22,643.[2]

2. The earliest inhabitants of the British Virgin Islands were the Arawaks and the Caribs. The Dutch established the first permanent European community on the islands in 1648. In 1666, British planters took control of the islands and the Territory attained the status of a British colony. The planters were granted civil government, constitutional courts, an elected House of Assembly and a partly nominated Legislative Council, which first met in 1772. In 1872, the islands became part of the Federation of the Leeward Islands. In the 1930s and 1940s, British Virgin Islanders demanded greater self-governance, which led to the Territory becoming a separately administered colony in 1956.

II. Constitutional, political and legal issues

3. The British Virgin Islands is a Non-Self-Governing Territory under the administration of the United Kingdom of Great Britain and Northern Ireland. The Constitution, formulated with local input, was adopted in 1967 and amended in 1976. The administering Power appoints a Governor with responsibilities for defence, internal security, external affairs, public service and the administration of the courts; the Governor retains legislative powers as necessary to exercise special responsibilities. The Executive Council consists of the Chief Minister (appointed by the Governor from among the elected members of the unicameral Legislative Council), who has responsibility for finance, three ministers (appointed by the Governor on the advice of the Chief Minister) and one ex officio member (the Attorney General). The Governor is the Chairman of the Executive Council and must consult with it in the exercise of his duties. The Legislative Council consists of a Speaker, the Attorney General as an ex officio member and 13 elected members (9 members from one-member electoral districts and 4 members representing the Territory at large).

4. There are four political parties in the Territory: the Virgin Islands Party (VIP); the United Party (UP); the Concerned Citizens' Movement (CCM), which was founded in 1994 as a successor to the Independent People's Movement; and the National Democratic Party (NDP), founded in 1998.[3] General elections must be held at least once every four years. Candidates are elected based on a simple majority. Persons voting must be 18 years of age or over and have "belonger status", a term which the Constitution applies to a person deemed to belong to the Territory. It is estimated that some 45 per cent of the population has "belonger status", which includes the right to work without a permit and the right to vote. As was reported in previous working papers (see A/AC.109/1999/1 and Corr.1, annex; A/AC.109/1999/9, para. 28; A/AC.109/2003/5, para. 12; A/AC.109/2004/3, para. 16; and A/AC.109/2005/12, para. 10), the British Overseas Territories Act 2002 (see A/AC.109/2002/2/Add.1) granted the right of full British citizenship to all inhabitants of its Territories.

5. At the last general elections, which were held in 2003, the National Democratic Party won 8 of the 13 seats on the Legislative Council and subsequently formed the Government. After 17 years in office, the Virgin Islands Party lost power and became the opposition. On 17 June 2003, Orlando D. Smith, of the National Democratic Party, was sworn in as the Chief Minister of the Territory. The next general election is scheduled to be held in September 2007.

6. Following a highly publicized corruption trial (see A/AC.109/2004/3, paras. 55 and 56) and in keeping with its campaign promises, the newly elected Government declared its commitment to "open governance" and tabled, as part of the Government Public Sector Investment Programme for the period from 2003 to 2007, a bill on integrity in public life to regulate the conduct and accountability of civil servants.

7. On 6 September 2005, the ruling National Democratic Party gained an additional seat when its candidate won a territorial by-election, beating the Virgin Island Party candidate by 403 votes. The election was called to fill the seat left vacant by the late Communications and Works Minister and territorial-at-large representative, Paul Wattley, who had passed away in July 2005.[4]

8. The Governor of the British Virgin Islands, Thomas T. Macan, took office in October 2002. He will leave office in April 2006 to be succeeded by Governor-designate David Pearey.[5]

9. The law of the British Virgin Islands is comprised of the common law of England, locally enacted legislation, and imperial legislation. Justice is administered by the Eastern Caribbean Supreme Court, based in Saint Lucia, which consists of two divisions: the High Court of Justice and the Court of Appeal. There are two resident High Court Judges, and a visiting Court of Appeal, which comprises the Chief Justice and two judges of appeal and sits twice a year in the Territory. There is also a Magistrate's Court, which hears prescribed civil and criminal cases, as well as a Juvenile Court and a Court of Summary Jurisdiction. The United Kingdom Privy Council is the final court of appeal.

10. In response to a decision in 2001 by the United Kingdom Government to invite Territories to review their respective Constitutions, in April 2004, the Chief Minister launched a nine-member Constitutional Review Committee, which served for one year; the Committee conducted a review of the existing Constitution and made recommendations for its change. The members of the Committee, which included a wide cross-section of representatives from areas such as tourism, construction, law, education, financial services, communications and business, were selected by the Legislative Council. According to the Government, it was "the first time in the Territory's history that the process of Constitutional review was being carried out within the British Virgin Islands by locals alone" and not as a declaration of the United Kingdom Government.

11. In connection with the Constitutional review, the Government appealed to the population of the Territory to familiarize themselves with the Constitution and to participate in the discussion of the proposed changes. In order to educate the public and obtain their input in the Constitutional review, the Committee conducted a number of public meetings throughout the Territory. It also held a meeting with the League of British Virgin Islanders residing in the neighbouring United States Virgin Islands.[6]

12. The Chairman of the Constitutional Review Commission (formerly Committee) submitted the report on the Constitutional review to the Governor on 22 April 2005. The 148-page report contained 116 recommendations and outlined the constitutional history of the Territory from 1493 to date. According to the local press, the report indicated that the people of the Territory preferred the continuation of a "sharing of responsibilities between the Government of the Virgin Islands and the Government of the United Kingdom". Governor Macan stressed that the sharing "must be on terms which are agreeable to both parties, where the risks and liabilities which each bears are acceptable".[7]

13. The Commission reported back to the Legislative Council on 15 September 2005. It recommended, inter alia, to limit the Governor's responsibilities; to adopt a cabinet system of government and the creation of a sixth ministerial position, with the cabinet chaired by the chief minister; and to improve the representation of small islands, creating additional legislative council seats for the representation of Anegada and Jost Van Dyke. The Commission recommended new qualification requirements for members of the Legislative Council to ensure that the body is only comprised of indigenous Virgin Islanders. It recommended that responsibility for public services be transferred to the Chief Minister and responsibility for internal security to a National Security Council.[8]

14. The enactment of recommended changes must be negotiated between the Government of the Territory and the United Kingdom Foreign and Commonwealth Office, and requires the approval by the United Kingdom Privy Council.[8] On 21 February 2006, a Constitutional Negotiating Team was named to represent the Territory in discussions with the United Kingdom scheduled to start in March 2006.[9]

15. On 15 April 2005, the first meeting of the Inter-Virgin Islands Council was held at Government House on St. Croix. It was co-chaired by United States Virgin Islands Governor Turnbull and Chief Minister Smith. The Council discussed common issues facing the two Territories and reviewed the structure of 11 committees, dealing with issues ranging from mutual disaster preparedness and assistance and law enforcement to tourism, inter-territorial trade, as well as constitutional advancement. The Council aspires to be a forum to manage disputes and settle them in a peaceful, transparent and fair fashion.[10]

III. Budget

16. In December 2005, Deputy Chief Minister and Minister of Finance, Ronnie W. Skelton, delivered the Government's address on the budget for 2006 to the Legislative Council. For 2006, the British Virgin Islands expect a 7.4 per cent growth in revenue over 2005 figures, or a total of some $233 million. Approximately $204 million has been earmarked to cover recurrent expenditures and more than $29 million is expected to go into the Development Fund for the execution of capital projects. Some $4 million will be distributed among a variety of funds, including pension and emergency and disaster funds.[11]

IV. Economy

A. General

17. The economy of the Territory is based on tourism and offshore financial services, which account for 75 per cent of the Government's recurrent revenue. Speaking in December 2005, the Minister of Finance noted that the state of the economy had never been stronger, with an expected gross domestic product (GDP) of over $898 million. The public debt of the Territory stood at 12 per cent of GDP, or slightly over $102 million.[11] The rise in real output was attributed to the heightened tourism activity supported by continued growth in the financial services sector.

18. According to the administering Power, the principal trading partners of the Territory are the United States of America, Puerto Rico, countries members of the Caribbean Community (CARICOM) and the United Kingdom. Imports consisted mostly of food, machinery and fuel. According to the Economist Intelligence Unit, exports from the Territory were estimated at $34.5 million, whereas imports reached $300 million.[8]

19. In 2005, a serious reform of the Territory's tax system was instituted whereby the income tax exemptions previously enjoyed only by international businesses were extended to local businesses. Since January 2005, all businesses in the Territory have been exempt from income tax. At the same time, employers will pay 2 or 6 per cent payroll tax depending on the size of the business. Under the Payroll Tax Bill of December 2004, employees no longer have to pay income tax based on the pay-as-you-earn (PAYE) system. Their contribution is 8 per cent, with the first $7,500 of employee income remaining tax free.[12]

20. In order to promote a stronger relationship with the Asian business community and to stimulate mutual growth based on open trade and increased commerce, in May 2004 and November 2005, the Chief Minister, the Minister of Finance and a delegation of over 30 members of the private sector, representing the local financial services industry, met with business leaders from two provinces of China, namely Hong Kong and Taiwan, Singapore and others from across the Asia-Pacific region. Over 400 high-ranking business leaders from across the Asia-Pacific region attended the presentations of the British Virgin Islands delegation. Additionally, the Chief Executive Officer of the Financial Services Commission and several members of the private sector delegation of the Territory made presentations. Separate meetings were held with both Government and private sector representatives from the British Virgin Islands and their counterparts from the region.[13] Data released by the Hong Kong Census and Statistics Department showed that companies based in the British Virgin Islands were the largest source of external inflows into Hong Kong during the second quarter of 2005. The Territory accounted for 29 per cent of $4.8 billion in external inflows into Hong Kong, outranking that of the rest of China, the United Kingdom and the United States.[8]

B. Agriculture and fisheries

21. Agriculture contributes 1.5 per cent of GDP and engages 1.9 per cent of the population in paid employment. There are serious obstacles to developing the agricultural sector, such as a shortage of labour, water and marketing facilities. The fishing industry contributes 1.3 per cent to the Territory's GDP.

22. In order to promote farming, the Department of Agriculture organized, in March 2004 and 2005, agricultural exhibitions on the islands of Anegada and Virgin Gorda, as well as a Food Fair and Market Day, as part of the Farmers Week.[14] In addition, the Government passed the Pound and Livestock Brands Act to better protect farmers' properties and provided grants and capital assistance to small stock farmers. The Government also promoted gardening in primary schools, for the young to consider working the land as a viable career option.[15]

23. The two main types of fisheries in the Territory are small-scale (commercial) and recreational fisheries. There is also the offshore longline pelagic fishery with only one longline vessel in operation. Commercial fisheries comprise about 300 boats, with 50 per cent of the fishers owning their fishing gear. Most fishers market their own catch at various places within the Territory, with an appreciable number of them selling their catch directly to hotels and restaurants and a small number to the British Virgin Islands Fishing Company.[16] According to the Government, the construction of a new Fisherman's Ramp at Carrot Bay has been completed.[15]

24. In June 2004, the Government of the Territory signed a Memorandum of Understanding with the State of Maryland, United States, to develop cooperation in agriculture and fishery. Joint projects include trade and training activities, development of sheep breeding and the expansion of the fishery industry, in particular fish, lobster and shrimp farming.[17]

C. Construction

25. In his State of the Territory address, the Chief Minister stressed the need to ensure that the British Virgin Islands had the necessary modern infrastructure. He noted that his Government had made strategic investments throughout the Territory. The construction of a needed dock in Anegada had been completed. In Virgin Gorda, a new road had been built which connects the North Sound with the island's Valley, thus making travel by car and truck easier and safer.[15]

26. In February 2006, construction started at the Virgin Gorda Yacht Harbour. Development of the town centre and the harbour will create increased commercial and residential space, and bring about 200 new jobs to the island.[18] Rehabilitation projects for improving the capital Road Town have commenced.[15]

27. In June 2005, the Government secured a $10 million loan from the Social Security Board of the Territory to renovate the roads that sustained massive damages during the heavy rainfalls of November 2003. The press reported that contracts for road improvements and construction would mainly be given to local businesses.[19]

D. Tourism

28. Rich vegetation, unspoiled beaches, yachting marinas and fine coral reefs make the islands a natural tourist destination, and tourism continues to be the most important economic sector for the Territory. According to the Economist Intelligence Unit, the tourist industry of the Territory is geared towards the upper end of the market and is based mainly on luxury accommodations and yacht charters, with yachting visitors outnumbering hotel guests in most years. From January to August 2005, more than 250,000 tourists arrived in the Territory; that number represents an increase of 10 per cent compared to the same period in 2004.[8] According to the Government, the average hotel occupancy rate was well above 65 per cent.[15]

29. In order to further raise the level of customer service, the Government introduced the Tourism Industry Service Standards programme in 2005. The programme includes the development of the Standards of Performance Manuals for hotels and restaurants, as well as a programme of quality inspections. Government investment in the programme through 2007 will total $3 million.[20]

30. The Government also purchased Prospect Reef Resort, which it plans to develop into an enterprise that would serve as both a full-service business hotel, so as to make the Territory more competitive in the lucrative conventions market, as well as a cutting-edge training centre to provide young people an opportunity to learn the craft of hotel management and hospitality. A Board of Directors has been established, and a Chief Operations Officer, charged with overseeing daily operations of the resort, was named.[15]

E. Finance

31. The provision of international financial services is the second key pillar of the economy of the Territory. Fees from these services alone bring in more than half of the Government's revenue. The British Virgin Islands was one of the first Territories to adopt legislation (in the mid-1980s) allowing registration of international business companies and continues to claim about 45 per cent of the world's market. The British Virgin Islands does not tax the assets of the companies, ensures their privacy and has a well-educated population, which enhances the quality of the services and regulation provided. At present, there are about 700,000 international business companies registered in the Territory.[8]

32. As mentioned in paragraph 19 above, newly enacted legislation extended the zero tax regime to local companies. The new Business Companies Act has brought the Territory into full compliance with the European Union Savings Tax Directive and the European Union Code of Conduct on Business Taxation, as required by the United Kingdom of all its Territories.[21]

33. According to the Chief Minister, corporate business in the Territory has remained strong, which has been a clear sign of investor confidence. The Government will continue to enhance and promote the reputation of the Territory as a world-class financial services jurisdiction. Towards that goal, the International Finance Centre continued to execute an ambitious marketing strategy. A series of road shows was organized in key financial centres in Asia, Europe and the United States. As businesses in Asia and the Pacific Rim maintain a strong interest in the

Territory, the Government also plans to establish a permanent presence in that region in the near future (see para. 20 above).[15]

F. Transport and communications

34. According to the Economist Intelligence Unit, the British Virgin Islands have 210 kilometres of surfaced roads. Direct shipping services operate from the United Kingdom, the United States and the Netherlands; a deepwater harbour exists in Road Town. A regular ferry service links Tortola with some of the other islands and with St. Thomas of the United States Virgin Islands. There are three international airports in the British Virgin Islands. Fifteen airlines fly to the Territory.

35. A new terminal in the Beef Island Airport (renamed T. B. Lettsome International Airport) was opened in 2002. After long delays and a corruption scandal (see A/AC.109/2004/3, paras. 55 and 56), the National Democratic Party Government signed a contract to expand the runway. In May 2004, the runway extension and control tower facility were officially opened. The new 4,600 feet long runway and the taller control tower have greatly enhanced the safety of aircraft operations. The overall expansion of the airport was the largest project ever undertaken in the history of the Territory. Currently, work has started on critically needed upgrades to the Anegada airport, including new lighting.[15]

36. Amid public concern that the Virgin Gorda Airport would be closed owing to its failure to meet international safety standards, the Government was successful in purchasing the airport property from its owners. Since the airport was an integral part of the island's infrastructure and an essential link for residents and tourists, the Government now has the opportunity to review the operation of the airport and to design measures for required upgrades.[22]

37. The British company Cable and Wireless provides basic telephone services in the Territory. The current contract with the company expires in 2007. Following the Government's decision not to renew its exclusive licence and to promote a competitive market, the company is working with the Government in order to find a suitable model for the liberalization of the local telecommunications industry. According to press reports, Cable and Wireless is upgrading its network with the most technologically advanced systems. A telecommunications regulatory adviser hired by the Government is assisting in developing a policy that would determine the requirements for telecommunications operators intending to do business in the Territory.[23]

V. Social conditions

A. General

38. Public assistance is provided for those who need it through the Social Security Board, a statutory body that falls under the Ministry of Finance. It provides for sickness and maternity benefits, as well as pensions. According to the administering Power, the Social Development Department has a number of programmes, which include Elderly and Disability Services, Family and Children Services, Rainbow

Children's Home, Social and Legal Aid, and Community Development. Considerable attention is paid to the youth programmes.

39. Immigration accounts for almost half of the population growth in the Territory. In December 2004, the Chief Minister announced the new immigration policy related to residence and "belonger" status. Under the new policy, persons who have resided in the Territory continuously for more than 20 years will be recommended to be granted residence status. However, only 25 persons will be granted the status per year. The Chief Minister announced that the Government remains committed to review the entire immigration legislation to ensure, among other things, "belonger status" for children born outside the Territory to a British Virgin Islander parent whose entitlement to "belongship" is by descent.[24]

B. Labour

40. The labour force of around 12,200 workers is engaged primarily in tourism (25 per cent), government employment (21 per cent) and construction (10 per cent). The unemployment rate in the British Virgin Islands has been uniformly estimated at 3.6 per cent for the years from 2000 to 2003.[25]

41. As of 2002, immigrants constituted 61 per cent of the working labour force, comprising 53 per cent of managers, 65 per cent of professionals and 52 per cent of assistant professionals. This was confirmed in a review of the British Virgin Islands economic performance by the Caribbean Development Bank, which found that the Territory had not been able to meet its human resource needs with local labour. Despite the dependence on external labour, the immigration policy of the Territory with respect to granting work permits and resident status was thought to be rather slow and still lacking transparency.[26]

C. Education

42. Education is free and compulsory in the Territory for children between the ages of 5 and 11 years; secondary education (from 12 to 16 years) is also free. There are 18 public and 11 private primary schools in the Territory, on Tortola, Anegada, Virgin Gorda and Jost Van Dyke. There are three high schools (one private and two public) and a community college at Road Town. Secondary education is available to the General Certificate of Education "A" Level. Higher education is provided by the University of the West Indies. The H. Lavity Stoutt Community College offers associate's degree courses and technical education. In April 2006, the College will officially open a Learning Resource Centre.

43. The Chief Minister has reiterated the commitment of the Government to provide the young generation with the best education. In order to provide world-class education, the Government started a National Curriculum Project, bringing together local and overseas education professionals and experts to develop a comprehensive curriculum for the Territory's schools. The Legislative Council passed a new Education Act to frame the progress made and opened a Department of Youth Affairs and Sports. In addition, the Chief Minister cited that the 2005 graduation class at the Community College was the largest in the history of the institution.[15] Important rehabilitation projects were completed at the Ebenezer Thomas Primary School, and work has begun at the Alexandrina Maduro Primary

School. The Government is planning to commence the construction of a new high school in 2006.[27]

D. Public health

44. The territorial Government is the major provider and financier of health services. The Territory has one public hospital (Peebles Hospital), one health centre at Road Town and a network of eight district clinics, as well as two satellite clinics at Brewers Bay and Sea Cow Bay. Private health care is provided by one private hospital, two private dental surgeries, two private medical complexes and nine private physicians. According to the administering Power, health services are almost entirely financed (95 per cent) from the Consolidated Fund. User fees generally constitute 8 per cent of the operating costs of services. In 2002, total recurrent expenditure for health was $28.7 million. Expenditure in 2003 for public health services overseas was $700,000.

45. The Government has recently made important investments in improving and expanding health-care facilities. On 15 June 2005, the Peebles Hospital expansion was officially opened, enabling the Territory to provide better and more comprehensive health care.[28] The new facilities include a number of specialized units, including an accident and emergency trauma unit and a dialysis unit.[19]

46. In order to ensure the efficient operation of the British Virgin Islands health-care system, the Government has established, for the first time in the history of the Territory, a Health Services Authority.[15]

47. During the period under review, the Government continued efforts to combat HIV/AIDS. Growing concern over high rates of HIV/AIDS in the region has led doctors and Government officials of the Territory to increase their efforts to treat existing patients and fight the spread of the disease. Currently, 46 people are living in the Territory with HIV/AIDS. Of those, 26 people are infected with HIV, and 20 people have been diagnosed with AIDS and are receiving special medications. The Government has established an education programme to promote healthy sexual behaviour. An important part of the programme is to encourage people to be tested for HIV/AIDS. The National AIDS Programme Coordinator also established HIV/AIDS sensitization programmes for private and public sector health-care providers (nurses, doctors, dentists, physical therapists, lab technicians and radiology).[29]

E. Public works

48. According to the Chief Minister, the Territory faced serious challenges in the public works area that needed to be addressed. With the commissioning of new generators in August 2005, the electricity-generating capacity was increased. The new equipment has raised the hope that the frequent blackouts in the Territory will become a feature of the past.[30] To absorb the generally higher international fuel prices, the British Virgin Islands Electricity Corporation introduced a price hike for electricity in August 2005. While the Corporation encouraged customers to conserve energy, the Government has established a committee to look into ways and means to ease the burden on consumers, to plan for the future and to reduce the Territory's dependence on fossil fuels through the utilization of alternative energy sources.[31]

49. The Water and Sewerage Department of the Territory has about 8,000 customers, which are provided water from 10 active reservoirs and 8 desalination plants. The plants are owned by three private companies from which the Government buys the water. A number of studies have revealed that rain water cisterns contain major contaminants and do not meet international standards. The Government has started discussions to adjust legislation in order to protect groundwater resources, prevent pollution and contamination, as well as to establish clear requirements for the maintenance of water quality.[32]

F. Crime

50. During 2004, the increased level of crime in the Territory became a matter of national concern and, at the beginning of 2005, was brought to the attention of the Legislative Council. The discussion brought to light the inadequacy of the law enforcement and criminal justice system in the Territory. Subsequently, in June 2005, the Chief Minister pledged that the Government would not be satisfied until the problem of crime was mastered. He announced measures to bring forward new legislation to stiffen penalties for any person convicted of either illegal possession of a gun or the use of a gun in the commission of a crime.[15] Subsequently, a three-member Firearms Advisory Committee was established with a view to reducing the number of illegal guns, and licenses were introduced for air guns and rifles.[33] In September 2005, the Chief Minister presented a seven-point plan of action to address crime, including legislation to strengthen the regulation of firearms.[34]

51. As part of the Government strategy to combat crime, the Royal Virgin Islands Police Force, which maintains four stations on Tortola and one each on Virgin Gorda, Anegada and Jost Van Dyke, has restructured its operations and established a new department called the Drug and Violent Crime Task Force. Foot patrols and mobile controls have stabilized the situation in a number of communities. At the end of 2005, the Police Force reported a decrease of 16 per cent in the number of serious crimes for the year.[35]

52. During 2005, the Legislature of the Territory passed a series of acts improving the handling of young offenders. The Children and Young Persons Act No. 8 provides for the prevention of cruelty to, and the protection of, children and young persons: proceedings involving children and young persons are referred to a newly created youth court, which was established by the Youth Courts Act No. 11 of 2005. A separate act, one that legislates the sentencing of children and young persons, addresses drug rehabilitation and after-care orders as alternative measures for sentencing, thus preventing the incarceration of youths with adult offenders.

53. According to press reports, a wide range of criminal activities has been fuelled by the influx of illegal immigrants who also place a growing financial and social burden on the Territory. The Territory's customs and police departments have carried out joint operations aimed at curbing illegal immigration and bringing violators to justice. While the problem of undocumented persons and the aiding and abetting of illegal immigrants needed to be addressed, the Government has continued to repatriate illegal immigrants, updated its immigration stop list, and ordered deportations of persons convicted of offences, including drug possession, smuggling, and illegal entry.[36]

VI. Environment

54. In the period under review, the Ministry of Natural Resources and Labour of the Territory has signed agreements for the Government to acquire privately owned land for the purpose of nature conservation. In April 2005, land at Witches Brew and Bar Bay, including 26 acres of mangrove wetlands, was acquired for the creation of a national park, which would receive a visitors' centre as well a bird sanctuary. In May 2005, the Government bought 53.4 acres of land at Long Bay, Beef Island, for minimal development and mangrove preservation.[37]

55. In February 2006, the Law Reform Commission of the Territory appointed a 16-member committee to review the environmental laws and to make recommendations for reform.[38]

VII. Relations with international organizations and entities

A. United Nations system

56. The Territory enjoys associate membership in the International Labour Organization, the United Nations Educational, Scientific and Cultural Organization and the Economic Commission for Latin America and the Caribbean. The Territory also receives some funds from the United Nations Development Programme in implementing its country cooperation framework.

B. Regional organizations and entities

57. The Territory is an associate member of CARICOM and the Organization of Eastern Caribbean States (OECS). Because of its relatively high level of economic development, the Territory is being pressured to become a full member and to open its labour market to OECS workers. It is a borrowing member of the Caribbean Development Bank. It is also a signatory to the Lomé Convention, which provides for some development assistance.

VIII. Future status of the Territory

A. Position of the territorial Government

58. Kendrick Pickering, a representative of the Chief Minister of the British Virgin Islands, attended the Caribbean regional seminar on decolonization, held in Saint Vincent and the Grenadines, from 17 to 19 May 2005. In his statement,[39] he noted, inter alia, that the Territory balanced its budget with a surplus and had done so over the last number of years. It received no aid from the United Kingdom in that respect. The 1999 White Paper, "Partnership for Progress",[40] indicated that the United Kingdom wanted freedom for the Territories to run their own affairs to the greatest degree possible. Real progress was being realized, he said, through the establishment of the Constitutional Review Commission in February 2004. The Commission consisted of nine members of varied backgrounds, and it had seven specific terms of reference and a general reference to review the overall

Constitution. The report of the Commission had been submitted in April 2005 and would be debated in the Legislative Council. Subsequent developments regarding the Constitutional review process are detailed in paragraphs 12 to 14 above.

B. Position of the administering Power

59. In a statement at the 2nd meeting of the Special Political and Decolonization Committee (Fourth Committee) during the sixtieth session of the General Assembly, held on 5 October 2005 (see A/C.4/60/SR.2), the representative of the United Kingdom said the consultation process between his Government and its 10 overseas territories was continuing. The seventh annual meeting of the Overseas Territories Consultative Council would be held in London in October 2005. The Council provided a forum for dialogue between democratically elected chief ministers and their equivalents from the Territories and United Kingdom Government Ministers on a range of issues, including the relationship between the United Kingdom and its overseas Territories, constitutional modernization, good governance, environmental matters and the international obligations of the United Kingdom.

60. The United Kingdom Government welcomed the progress that was being made in the constitutional review process; there had been useful discussions between his Government and representatives of Gibraltar, Montserrat and the Turks and Caicos Islands. In Saint Helena, a consultative poll had rejected a revised draft constitution and that Territory was currently considering its next steps. Extensive discussions had been held with the Independence Commission set up in Bermuda to look into the implications of any move towards independence; at the Commission's request, his Government had drafted a paper setting out its position on a number of issues, which was currently being studied by the Government of Bermuda.

61. His Government, he pointed out, continued to support capacity-building projects and to promote sustainable development and good governance in its overseas Territories. The Overseas Territories Environment Programme continued to support the implementation of the environment charters for the overseas Territories. His Government likewise continued to support its overseas Territories in their efforts to strengthen relations with the European Commission and to improve access to the trade and economic and developmental aid provisions of the European Union — Overseas Countries and Territories Overseas Association Decision. It had also continued its informal cooperation with the Special Committee on decolonization; in that context a visit had been made to Bermuda with a view to considering progress towards the delisting of that Territory.

62. In a separate communication regarding the Overseas Territories Consultative Council held in London in October 2005, the United Kingdom Government noted that there was useful discussion on the relationship between the United Kingdom and the overseas Territories and also on progress on constitutional modernization, which continued to take account of the particular circumstances of the Territories. Other areas covered in the discussions were external relations, good governance, law enforcement, financial services, transport, sustainable development and relations with the European Union. The Department for International Development, in association with the Overseas Territories Consultative Council, organized round tables on the issues of human rights and disaster management.

C. Consideration by the General Assembly

63. On 8 December 2005, the General Assembly adopted without a vote resolutions 60/117 A and B; section IV of resolution 60/117 B concerns the British Virgin Islands.

Notes

[1] The information contained in the present working paper has been derived from published material and from material provided by the administering Power under Article 73 *e* of the Charter of the United Nations.

[2] United States Central Intelligence Agency, The World Factbook, British Virgin Islands, update as of 17 May 2005 (see www.cia.gov).

[3] *The Island Sun*, 26 September 2003.

[4] *Caribbean Net News*, 8 September 2005.

[5] *The BVI Beacon Online*, 12 January 2006.

[6] *The Island Sun*, 1 May, 18 September, 2 December 2004 and 29 January 2005; *BBC Monitoring Americas*, 19 May 2004.

[7] *The Island Sun*, 7 May 2005.

[8] The Economist Intelligence Unit, *Country Report*, December 2005 (see www.eiu.com).

[9] *The BVI Beacon*, 2 March 2006.

[10] *The Virgin Islands Daily News*, 16 April 2005.

[11] *The Island Sun*, 1 January 2006.

[12] *The Island Sun*, November 2004, January 2005.

[13] *The Island Sun*, May 2004.

[14] *The Island Sun*, 13 March and 3 April 2004; 5 March 2005.

[15] State of the Territory address, 16 June 2005.

[16] *FAO Fisheries Report No. 729*, Food and Agriculture Organization of the United Nations, Subregional Office for the Caribbean, Rome, 2004.

[17] *Caribbean Net News*, 15 June 2004.

[18] *The BVI Beacon*, 16 February 2006.

[19] *The Island Sun*, 25 June 2005.

[20] *Caribbean Net News*, 2 November 2004; *The Island Sun*, 9 January, 13 March, 3 April, 17 July and 16 October 2004.

[21] *The Island Sun*, 23 October 2004; *The Lawyer*, 13 June 2005.

[22] *The Virgin Islands Daily News*, 15 June 2005.

[23] *The Island Sun*, 9 October, 6 November 2004.

[24] *The Island Sun*, 11 December 2004.

[25] The Economist Intelligence Unit (see www.eiu.com); *The Island Sun*, 30 July 2005.

[26] *The Island Sun*, 30 July 2005.

[27] State of the Territory address, *The Virgin Islands Daily News*, 13 February 2006.

[28] *The Island Sun*, 27 June 2005.

[29] *The Island Sun*, 6 July, 4 and 29 September, 26 November 2004; *The Virgin Islands Daily News*, 11 January 2006.

[30] State of the Territory address, *Caribbean Insight*, 3 February 2006.

[31] *The Island Sun*, 9 June and 24 September 2005.

[32] *The BVI Standpoint*, 19 April 2005.

[33] *The BVI Standpoint*, 24 February 2006.

[34] *The Island Sun*, 24 September 2005.

[35] *The BVI Beacon Online*, 19 January 2006.

[36] *The Island Sun*, 18 June and 8 October 2005.

[37] www.bviplatinum.com, 22 April and 6 May 2005.

[38] *The Virgin Islands Daily News*, 20 February 2006.

[39] For a summary of the statement, see *Official Records of the General Assembly, Sixtieth Session, Supplement No. 23* (A/60/23), chap. II, annex, para. 23.

[40] "Partnership for Progress and Prosperity: Britain and the Overseas Territories", White Paper submitted to the House of Commons on 17 March 1999 by the United Kingdom Secretary of State for Foreign and Commonwealth Affairs; reproduced in A/AC.109/1999/1, annex.